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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC–WGR–1/7

14 May 1956

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS*

I. Summary of Events, 24 April - 7 May 1956.

Sino-Soviet Bloc efforts to expand economic relations with the Free World were directed toward developed as well as underdeveloped areas during the period 24 April - 7 May 1956.

The attempts to expand trade with developed areas in the Free World included the Soviet offer to increase purchases in the UK to an average of US $450 million to 550 million** annually during 1956-60, the conclusion of a trade protocol between Greece and Bulgaria, and the successful attempt by Czechoslovakia to increase trade with New Zealand.

In South and Southeast Asia, Bloc countries implemented their agreements with India to further the development of the Indian petroleum industry. The arrival of a group of Soviet advisers in Burma to plan the construction of both a hospital project and a technological institute and the departure of a Burmese technical delegation for the USSR highlighted the continuing implementation of economic relations between these two countries. In the same region the Chinese Communists announced that their trade agreement with Cambodia provided for an exchange of goods up to a value of $14 million.

In the Near East and Africa a trade agreement was signed between Ethiopia and Czechoslovakia, and Egyptian newspapers announced that Rumania would open a permanent industrial exhibition in Cairo. Bloc economic expansion received a setback in Jordan, however, where a contract with Poland to survey and plan the reconstruction of the Hejaz railroad was canceled.

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* Although the main emphasis of the Biweekly is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

** Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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The major Bloc effort toward economic expansion in Latin America was directed toward Argentina during this period. The USSR offered to supply oil drilling and other petroleum equipment and steel sheets for the construction of a pipeline system for Argentina. In addition, an advertising campaign by the Bloc in the newspapers and magazines and over the radio is currently attempting to sell Bloc trucks, automobiles, and other equipment to the general buying public of Argentina.

II. Sino-Soviet Bloc.

A. Soviet Trade Overture to UK.

Although the current economic offensive of the Sino-Soviet Bloc has been concentrated on the expansion of trade with underdeveloped countries, the 26 April communiqué on the Soviet-British talks, like the Soviet tactics at the recent meeting of the UN Economic Commission for Europe, added to the mounting evidence which indicates that the Bloc also envisages an expansion of trade with developed countries.

The communiqué referred to the readiness of the USSR, in the absence of trade restrictions and "discrimination," to increase its purchases in the UK to an average of $450 million to 550 million annually over the 5-year period 1956-60. This may be compared with UK exports to the USSR of $64 million (excluding reexports) in 1955 and $28 million in 1954. This trade overture, the third such offer to be made by the USSR to the UK in the postwar period, is in part intended to weaken British adherence to the program of strategic controls over exports to the Bloc. It exceeds the earlier overtures in magnitude, however, and gives an appearance of greater seriousness of purpose in that it was made in the course of the recent negotiations between the leaders of the UK and the USSR and was accompanied by a comprehensive list of proposed Soviet purchases which, according to the communiqué, will be studied by the British with the assistance of Soviet experts.

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Such a spectacular increase in Soviet purchases from the UK is unlikely to materialize, especially as a large part of the "shopping list" contains items which are restricted. British refusal to export these items may tend also to inhibit increased Soviet purchases of products not under ban. Furthermore, the USSR may find it difficult to pay for a radically increased level of imports from the UK through exports. For the USSR the problem is complicated by the fact that in the postwar period it has earned sterling in its trade with the UK which has been used to finance trade in the sterling area and elsewhere. In the communiqué the British observed that, although a part of the Soviet list contained products under embargo, there was scope for an increase in trade.

B. Sino-Soviet Bloc Trade Offensive in Greece.

Recent reports indicate that the Sino-Soviet Bloc is continuing its campaign to expand economic relations with Greece. A trade protocol has recently been concluded for the exchange of a greater value of goods between Greece and Bulgaria. Czechoslovakia and the USSR also have trade agreements with Greece that are effective until December 1956. Several Bloc countries have announced their intentions to participate, as in past years, in the Salonika Fair of 1956.

A broadcast from Sofia stated that on 2 May 1956 Bulgaria and Greece signed a trade protocol planning a total trade in the amount of $7 million, or almost double the amount of the preceding agreement. Under this agreement, Bulgaria's exports are listed as machines, electrical materials, iron products, and chemical products in exchange for citrus fruits, olives, cotton, fish, fertilizer, ironplate, pyrites, manganese, and other ores from Greece. This is the third protocol to be concluded for trade in 1956 between Greece and a member of the Bloc. A Czechoslovak-Greek protocol signed in February 1956 envisaged total trade in the amount of $14 million between these two countries in 1956. Under this agreement, Czechoslovakia will export sugar, timber, transportation equipment, machinery, and electrical applicances and equipment in return for

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Greek exports of tobacco, cotton, citrus fruits, bauxite, sponges, and hides. The USSR and Greece signed their largest protocol in 1955 for the period July 1955 to December 1956. Under this agreement, which set a trade target of $20 million, Greece will export $4 million worth of tobacco, $1.5 million worth of bauxite, and $2.2 million worth of dried fruits in exchange for Soviet exports of $4.4 million worth of petroleum products and $4.6 million worth of lumber and coal. In both of these agreements, as in the Bulgarian-Greek agreement, the level of trade stipulated is considerably higher than the level set in previous agreements with these countries.

Greek trade with the Bloc amounted to about $20 million, or 4.2 percent of its total trade, in 1954 and $13.8 million, or 3.7 percent of total trade, in the first 9 months of 1955. During the latter half of 1955 the balance of Greek trade with the Soviet Bloc shifted rather sharply to an import surplus of a sufficient size as almost to eliminate the 1954 Greek credit balances with the entire Bloc.

One of the most interesting indications of the Soviet trade offensive in Greece is the report that the USSR has offered to buy large quantities of Greek bauxite. Although the amounts involved do not represent a large value, they are significant in that they represent a large percentage of total Greek production of bauxite. In 1955, Greece produced and exported about 400,000 metric tons of bauxite. Over 100,000 tons of this amount went to the USSR (over 80,000 tons after June 1955). Indications are that in 1956, bauxite shipments to the USSR will be even greater. By April 1956 the USSR had imported 40,000 tons, and on 18 April 1956 Greece announced that delivery of 50,000 additional tons had been authorized for export to the USSR. At the same time, it was announced that the USSR is sending $35,250 worth of mining equipment to a Greek bauxite mining firm.

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C. Expansion of Czechoslovak-New Zealand Trade.

Czechoslovakia appears to be launching an export drive in New Zealand. Recent reports indicate that Czechoslovak firms are tendering for turbines and generators for the Ohakiri hydroelectric project and that representatives of firms such as Skoda are visiting New Zealand to offer heavy machinery, motorcars, and trucks. New Zealand may react favorably to such a drive by Czechoslovakia which, as the second largest butter customer of New Zealand, currently has a very substantial import surplus with this country. To correct the unfavorable balance, New Zealand probably will have to import goods other than the types currently being imported from Czechoslovakia. These have been primarily glassware, hat material, fancy goods, and, more recently, a few automobiles.

In January the Commercial Secretary of the Czechoslovak Consulate General in Wellington said that Czechoslovak businessmen were asking, "Why can't we have a proper balance with New Zealand?" He stated that in 1955 his country had purchased approximately $8.4 million worth of primary produce from New Zealand, whereas New Zealand had imported only about $0.7 million worth of Czechoslovak goods.

Although New Zealand exports of wool to Czechoslovakia dropped sharply in 1955, exports of butter increased tenfold, reaching a total of $6.8 million for 1955, according to the Czechoslovak Commercial Secretary. New Zealand replaced the Netherlands as the chief butter supplier to Czechoslovakia, which imported 35 percent of total butter consumed in 1955. During the first 2 months of 1956, Czechoslovakia purchased about $2.8 million worth of butter.

The Czechoslovak Commercial Secretary stated that Czechoslovakia was the sixth largest manufacturing country in the world, with 40 percent of all exports consisting of engineering products. He indicated that the Czechoslovaks want to sell these products in New Zealand and hinted that Czechoslovakia is eager to buy more primary produce from New Zealand but that the unfavorable trade balance does not permit increased purchases.

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III. South and Southeast Asia.

A. Further Aid in the Development of Oil Resources in India.

The Soviet petroleum technicians who arrived in India in November 1955 to advise the government on oil prospecting submitted a final report on 24 April. In addition to indicating the areas where oil can be found in India, the Soviet experts are reported to have recommended that 14 groups, involving 200 technicians, should be organized for the exploitation of India's petroleum resources. In this connection, the Indian Minister of Natural Resources told the Parliament of India on 26 April that India had asked for training facilities in oil technology for 14 persons in the USSR under the UN Technical Assistance program. He also stated that Rumania, according to the terms of the March 1956 trade agreement, probably would supply technicians for 6 months to train Indians in the use of an oil drill purchased from Rumania. It is reported that the government of India is contemplating the purchase of three additional oil drills from the USSR and that a team of Soviet technicians would come to India to operate these drills.

B. Burmese-Soviet Agreements.

The implementation of plans for Soviet assistance in welfare and economic projects in Burma is progressing rapidly. Within a matter of days after the 1 April announcement by Mikoyan and U Nu of the Soviet "gift" of a hospital, the arrival of a Soviet hospital expert was reported. On 13 April, it was reported that 2 architects, 2 engineers, and 2 economists arrived from the USSR. These experts reportedly were concerned with the hospital project, but they apparently are also connected with other construction projects. As yet it is not known which hospital the USSR is to build. There is a possibility that it will be the Union Medical Center, a pet project of Prime Minister U Nu. The plans for this center have been drawn up by US architects, at a cost to the US and Burma of about $850,000.

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A Soviet group, possibly the same as the previously mentioned technicians, recently arrived in Burma to begin plans for the construction and operation of a technological institute. The group brought several 24-volume sets of engineering training materials in Russian and English, specifically printed and bound for the institute. It appears that the USSR is seriously planning to establish the institute on the elaborate scale previously announced.

Other recent developments in Soviet-Burmese economic relations include the departure of a Burmese technical delegation for the USSR in late April. A member of the delegation said that their duties would include the selection of Soviet technicians for some Burmese industrial and agricultural projects. Although the Burmese press reported that some project plans would be discussed, it is doubtful that any commitments will be made, as these are usually subject to approval by the economic and social board. U Ba Thai, the delegation leader, stated that Soviet engineers will soon come to Burma to start work on a steel plant similar to the one recently started in India. There has been no other mention of such a plant, but the Burmese government is reported to be requesting the USSR and Canada (the latter through the Colombo Plan) to survey their steel production.

C. Cambodia - Communist China Trade and Payments Agreements.

According to the Chinese Communists, the trade agreement between Cambodia and Communist China, which was reported in April, provides for an exchange of goods up to a value of $14 million, presumably each way. This total is apparently an upper limit, and the actual amount of trade will be controlled by the issuance of export and import licenses which are to be accorded "favorable treatment as far as possible." The list of goods which may be exchanged under the agreement includes exports from Cambodia of farm products, timber, fish, tobacco, and rubber in exchange for farm machinery, hardware, raw silk, and fishing nets from Communist China, according to a press report from Cambodia. If Cambodia actually ships

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rubber to Communist China under the agreement, it will conflict with the present Battle Act provisions. The payments agreement provides for the establishment of direct relations for clearance of accounts between the People's Bank of China and the National Bank of Cambodia.

In the same announcement the first known public reference by the Chinese Communists was made to the fact that aid to Cambodia had been discussed, and it was reported that representatives of both countries would submit the question to their respective governments.

IV. Near East and Africa.

A. Ethiopian-Czechoslovak Trade Agreement.

According to a government communiqué issued in Addis Ababa on 25 April, Ethiopia and Czechoslovakia have signed a trade agreement. The US embassy reported that the Czechoslovak minister to Ethiopia termed the agreement a "general accord and treaty of commerce" which probably would be registered at the UN by the Ethiopians. No other details of the agreement are yet available.

B. Rumanian Industrial Exhibit in Cairo.

According to the Cairo press of 12 April, the Rumanian government will open a permanent industrial exhibit in Cairo during May. Rumanian export agencies will display lathes and other machine tools, trucks, and electrical equipment. Rumanian exports to Egypt in the past have consisted of commodities such as petroleum, lumber, and cement.

C. Cancellation of Polish-Jordanian Contract for Hejaz Railroad.

The senior Jordanian member of the Hejaz Railroad* Reconstruction Committee has confirmed cancellation of the contract with

* The Hejaz railroad is 847 kilometers long, running from Damascus (Syria) to Medina (Saudi Arabia) via Ma'an (Jordan). It was destroyed in World War I by Lawrence of Arabia.

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Poland for the survey and planning of the reconstruction project. Final arrangements for the cancellation were to have been made by the executive committee (consisting of representatives of Jordan, Syria, and Saudi Arabia) at a meeting in Damascus on 22 April.

The Polish organization CEKOP won the survey contract in December 1955 with the extremely low bid of $440,000, which was little more than half the nearest competitive bid. A group of 20 or more Polish engineers have been surveying the Jordanian portion of the line since January. Despite the fact that Saudi Arabia supposedly was represented on the committee which awarded the contract, reports of Saudi Arabian opposition were first heard in February, and in April it was learned that the King had refused to grant visas to the Polish engineers working on the Ma-an - Medina portion of the line. The official reason will be alleged connections between Israel and CEKOP, thus permitting invocation of the boycott provisions of the Arab League agreement.

V. Latin America.

A. Soviet Offer for Argentine Pipeline Construction.

According to a recent report, the USSR has offered to supply Soviet oil drilling and other petroleum equipment in addition to 80 percent of the steel sheets needed for construction of the planned pipeline system in Argentina. The terms would include credit of 15 to 20 years and 2.5 percent interest. The offer was made to the Argentine state-owned petroleum monopoly. The USSR, however, has not yet submitted a formal bid.

Probably the most important of Argentina's industrial needs is that of development of its petroleum industry, and the Argentine government has given priority to the construction of pipeline for this industry.

On 7 March the Argentine Minister of Industry announced willingness to receive bids for the financing of $250 million worth of pipeline and gas line construction and miscellaneous petroleum

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industry equipment. At the same time, he announced that a call for bids would be made to the Sino-Soviet Bloc as well as to the Free World. Bids were to be submitted by 15 May, with payments to begin in 1959 and spread over a 15-year period. Numerous reports indicate that the USSR is interested in this project, but this is the first report of a definite Soviet offer. It is possible that bids have already been submitted by US, UK, French, and West German concerns.

B. Soviet Advertising in Argentina.

Soviet Bloc trade offers to the general buying public of Argentina are being made through newspaper advertisements, placed chiefly by Argentine distributors, and radio commercials sponsored by the Soviet government. The newspaper display advertisements are being used to promote sales of Czechoslovak SKODA trucks, Hungarian CYKLON compressors (a thresher component), and the Soviet MOSKVICH 4-cylinder automobile and MA 3-200 diesel engine truck. The magazine INTERCAMBIO, published in Argentina by a pro-Bloc trade group, is also carrying advertisements for Czechoslovak motor products, East German electrical equipment and paper products, and Soviet petroleum machinery and other capital goods.

In contrast to previous generalized advertisements, the current series of advertisements specifically states the types of products available for sale as well as the manufacturer's name. The magazine is also carrying well-illustrated stories on Sino-Soviet Bloc trade fairs.

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